

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Public Programs Branch ***

**RESOLUTION T-16584
October 10, 2001**

R E S O L U T I O N

RESOLUTION T-16584. REVISED FISCAL YEAR 2001-2002 BUDGET FOR THE CALIFORNIA TELECONNECT FUND ADMINISTRATIVE COMMITTEE FUND TO COMPLY WITH THE REQUIREMENTS OF PUBLIC UTILITIES CODE SECTIONS 270 THROUGH 281.

SUMMARY

This Resolution adopts revised total program expenses of \$146.026 million for the Fiscal Year 2001-2002 and a surcharge rate of 0.30%, for the period November 1, 2001 through June 30, 2002.¹ for the California Teleconnect Fund Administrative Committee Fund (CTF). The surcharge rate of 0.185% adopted in Resolution T-16437 will continue through October 31, 2001; the revised surcharge rate of 0.30% will be in effect beginning November 1, 2001 and to remain in effect until further revised by the Commission.

This Resolution revises the CTF budget for the Fiscal Year 2001-2002 to reflect the necessary organizational and administrative expenses associated with the implementation of the requirements of Public Utilities (P.U.) Code Sections 270 through 281 (Chapter 1.5 to Part 1, Division 1 of the P.U. Code). These requirements are the results of implementing Senate Bill 669 (SB 669), which became effective on January 1, 2000 and was amended by SB 742 (signed by the Governor in 2001), to transfer the funds of the CTF Program into the State Treasury beginning October 1, 2001.

¹ In this Resolution, the Commission is adopting revised total expenses of \$146.026 million for Fiscal Year 2001-2002 (\$1.155 million from July 2001 through October 2001 and \$144.871 from November 2001 through June 2002).

BACKGROUND

1. Decision (D.) 96-10-066

In D.96-10-066 dated October 25, 1996, the Commission established the CTF Program to fund discounts on certain telecommunications services provided to qualified schools, libraries, municipal and county government-owned hospitals and health clinics, and community-based organizations. All telecommunications end users fund the CTF Program through a surcharge on their intrastate billings. Telecommunications service providers collect the surcharge associated with the CTF Program and remit the surcharge revenues to the CTF fund.

2. Resolution T-16437

In Resolution T-16437 dated September 21, 2000, the Commission adopted the Fiscal Year 2001-2002 Budget for the CTF Program. In this Resolution, the Commission approved the following: (a) total CTF expenses of \$35.442 million, (b) a projected ending balance fund balance of \$10.087 million, and (c) a surcharge rate of 0.185%. (See Appendix A for other details.) Expense estimates relating to the implementation of P.U. Code Sections 270, et al, known at that time were also adopted.

3. P.U. Code Sections 270, et al

The California Legislature passed SB 669 and the Governor signed it in October 1999. The provisions of SB 669, as amended by SB 742 in 2001, are codified as Chapter 1.5 (beginning with Section 270) to Part 1, Division 1 of the Public Utilities (P.U.) Code. Section 270 of the P.U. Code provides for the creation of six funds, including the CTF, in the State Treasury.² The result is that the funds of the CTF Program, and of the other telecommunications public programs except the Deaf and Disabled Telecommunications Program, will be transferred to the State Treasury on October 1, 2001 consistent with the state budgeting process, which is on a fiscal year basis.

² The Commission has established eight telecommunications public programs, namely: (1) California High Cost Fund-A, (CHCF-A); (2) California High Cost Fund-B (CHCF-B); (3) California Teleconnect Fund (CTF); (4) Universal Lifeline Telephone Service (ULTS); (5) Deaf and Disabled Telecommunications Program (DDTP); (6) Payphone Service Providers Enforcement (PSPE); (7) Telecommunications Devices for the Deaf Interim Placement Committee (TPIC); and (8) Public Policy Payphone Program (PPPP). SB 669 creates six funds in the State Treasury. DDTP and TPIC are associated with one fund. PSPE and PPPP are associated with one fund. Thus, there is a total of six funds for eight of the telecommunications public programs.

The following are the major requirements of SB 669, as amended by SB 742, which have been included in the P.U. Code:

1. Section 280(a) provides for the creation of the CTF Administrative Committee, (an advisory board), to develop, to implement and to administer the CTF Program.³
2. Section 280(b) provides that all revenues collected by the telephone corporations authorized by the Commission to fund the CTF Program shall be submitted to the Commission on a schedule established by the Commission. Beginning on October 1, 2001 and thereafter, the Commission shall transfer the moneys received and all unexpended revenues collected prior to October 1, 2001 to the Controller for deposit in the CTF Administrative Committee Fund. All interest earned by moneys in the fund shall be deposited in the fund.
3. Section 273(a) provides that the created CTF advisory board submits an annual budget to the Commission, who shall act on the submitted budget within ninety (90)-calendar days after the receipt of the CTF budget.
4. Section 274 provides for the financial and compliance audit of CTF Program costs and activities at least once every three years, beginning July 1, 2002.

COMMENTS ON DRAFT RESOLUTION

In accordance with P.U. Code Section 311 (g), a draft resolution prepared by the Telecommunications Division (TD) staff was mailed on September 13, 2001, to the parties of record to Rulemaking (R.)95-01-020 and Investigation (I.) 95-01-021. A Notice of Availability was mailed to all telecommunications carriers advising them of the availability of this draft resolution in the Commission's web site:

www.cpuc.ca.gov/statis/industry/telco/resolutions/index.htm and of the dates for submitting any public comments. The Notice of Availability also informs parties that the final Resolution adopted by the Commission will be posted and available at the same web site. This means of distribution is consistent with the Commission's commitment to utilize the CPUC internet for distributing Commission orders and information.⁴

³ Rulemaking (R.) 01-08-002 was recently instituted by the Commission to adopt the new charters for each of the corresponding SB 669 advisory boards. Through Decision 01-09-064, the Commission adopted new charters for the CTF Program and for the other public programs to conform to P.U. Code Sections 270, et al.

⁴ 1998 CPUC Business Plan.

TD did not receive any comments on this Resolution. In the absence of any comments or protests, this is an uncontested matter for which the Commission may reduce the period for comment or review. (Commission Rule of Practice and Procedure 77.7 (f)). Accordingly, the comment and review period for this Resolution are shortened from 30 to 27 days.

DISCUSSION

As stated above, the purpose of this Resolution is to adopt necessary budget expenses to comply with the requirements of P.U. Code Sections 270, et al. In adopting these budget expenses, the CTF budget beginning November 1, 2001 must be revised accordingly. We recognize, however, that any changes we adopt herein are applicable only after these changes are adopted and made effective.

P.U. Code Sections 270, et al, Implementation

The following are issues identified by the TD in implementing the requirements of P.U. Code Sections 270, et al:

1. **Projected Billing Base.** In the recent months, there has been a sharp downturn in the telecommunications revenues subject to surcharges reported to the Commission by telecommunications carriers. Based on the recent data on the reported telecommunications revenues by carriers, TD estimates a projected billing base of \$15.181 billion for Fiscal Year 2001-2002.⁵
2. **Investment/Interest Income.** Since the CTF Program funds are to be transferred to the State Treasury by October 1, 2001, it is anticipated that interest income will be realized only up to the end of September 2001.
3. **Program Expense.** In Resolution T-16542, the Commission adopted sunsets or time limits for filing CTF claims. The adopted sunset dates are: October 12, 2001 (for February 1997 through December 1997 CTF claims); February 4, 2002 (for January 1998 through June 1999 CTF claims); March 4, 2002 (for July 1999 through December 1999) and; a two-year period from the due date (for January 2000 and thereafter CTF claims). Through review of CTF claims that have been filed on a timely basis, the TD staff identified that large telephone companies would have to file their unclaimed CTF claims, and estimates \$110 million and

⁵ TD's estimate of the projected billing base for Fiscal Year 2001-2002 includes a \$411 million adjustment associated with the anticipated amount of "catch-up" surcredits that will be implemented by Pacific Bell and Roseville Telephone Company, pursuant to Decision 98-11-039.

\$3 million for prior claim payments and interest payments, respectively. Carriers are reminded of Ordering Paragraph No. 7 of Resolution T-16542 that “Any California Teleconnect Fund claims filed after the established time limits

4. **Audits.** An auditor has recently been engaged to perform a financial audit of the CTF Program; the expense related to the financial audit is now known. TD staff recommends a budget amount of \$10,000 for the financial audit.
5. **Banking Fees.** P.U. Code Section 280 (b) provides that the CTF trust fund and bank account balances be transferred to the State Treasury by October 1, 2001. TD estimates \$3,000 for trustee fees for the period November 2001 through June 2002 (which is an estimate of two month’s trustee fees for the months of November and December 2001). In year 2002, no trustee fees are anticipated. Expenses associated with the lock box would continue. Subsequent to the transfer, telecommunications service providers would continue to collect and remit the surcharge revenues to a financial institution.
6. **Committee Expenses.** Section 271(f) of the P.U. Code states that: “...Each member of the board who is not a public utility employee, or who is not otherwise reimbursed by an employer for expenses incurred when serving on the board, shall be entitled to make a claim for and to receive expense reimbursement, if authorized by the commission...” The Commission adopted a new charter for the CTF Program and for the other telecommunications public purpose programs through D.01-09-064. The new CTF charter details the process for filing per diem and expenses for eligible board members. TD estimates a total of \$6,000 for per diem and other expenses to eligible CTF board members.
7. **Administrative/Staff Expenses.** TD included the allocated amount of \$163,000 for internal staff in the Information and Management Service Division who would carry out work responsibilities associated with the implementation and ongoing operations of P.U. Code Sections 270, et al. This amount includes expenses associated with the addition of facilities for these staff members.
8. **SB 669 Interagency Cost.** Although interagency cost is recognized as an expense, it is anticipated that there will be no interagency costs associated with the implementation of P.U. Code Sections 270, et al, in the Fiscal Year 2001-2002.

Based on the above-mentioned CTF Program related expenses, the projected ending balance totals approximately \$16.491 million. We are revising the CTF budget beginning November 1, 2001 consistent with the requirements of P.U. Code Sections

270, et al. The resulting surcharge rate for these expenses is 0.30% beginning November 1, 2001.

Advice Letter Filing and Notice to Other Carriers

The implementation of the requirements of SB 669 affects other telecommunications public programs. Thus, the adoption of a revised budget beginning November 1, 2001 resulting in a revised surcharge rate will affect not only the CTF Program but also certain other telecommunications public purpose programs being administered by the Commission. For administrative efficiency, we will allow all telecommunications carriers that collect surcharges for various public programs to file one advice letter, accompanied by associated tariff sheets, revising the surcharge rates in accordance with the Commission adopted resolutions and/or decisions. The advice letter filing shall be filed on or before October 22, 2001, consistent with the provisions of General Order (G.O.) 96-A. In filing these advice letters, we will waive the notice requirements of G.O. 96-A, Section III, G.1., to furnish competing utility companies (either public or private) with copies of the related tariff sheets. This is because it does not appear to be in the public's interest that each telecommunications carrier sends and receives over two hundred notices about a regulatory change that each carrier already knows.

FINDINGS

1. The Commission adopted the Fiscal Year 2001-2002 CTF budget on September 21, 2000. Although the approved budget included expenses on the P.U. Code Sections 270, et al, implementation, more recent information was detailed after the adoption of the Fiscal Year 2001-2002 CTF budget in Resolution T-16437.
2. Based on TD's calculations, the following CTF expenses should be adopted beginning November 1, 2001:

a.	Projected Billing Base	\$15,181,000,000
b.	Investment/Interest Income	0
c.	Program Expenses (Claims only)	143,667,000
d.	Audits	1,037,000
e.	Banking Fees	17,000
f.	Committee Expenses	6,000
g.	Administration/Staff Expenses	145,000
h.	SB 669 Interagency Cost	0
i.	Projected Ending Balance	16,491,000

3. Based on the revised estimated expenses and income listed in Finding 2 above, the surcharge rate beginning November 1, 2001 should be 0.30%.

4. The adoption of the revised CTF budget beginning November 1, 2001 will result in a revised surcharge rate of 0.30% effective November 1, 2001. All telecommunications carriers that collect the CTF surcharge rate should file an advice letter with associated tariff sheets revising the CTF surcharge rate on or before October 22, 2001, consistent with the provisions of G.O. 96-A, Section III, G.1., (to furnish competing utility companies, either public or private, with copies of the related tariff sheets), should be waived. The advice letter and tariff sheets should become effective on November 1, 2001.
5. For administrative efficiency, it is reasonable to allow all telecommunications carriers that collect various telecommunications public program surcharges, beginning November 1, 2001, to file one advice letter, accompanied by associated tariff sheets, revising the surcharge rates in accordance with the Commission adopted resolutions and/or decisions.

THEREFORE, IT IS ORDERED that:

1. A revised Fiscal Year budget of \$146.026 million (as detailed in Appendix A to this Resolution) is adopted for the California Teleconnect Fund Administrative Committee Fund, consistent with the requirements of Public Utilities Code Sections 270 through 281.
2. The 0.30% surcharge rate shall be applied to all intrastate billings, subject to surcharge, rendered on or after November 1, 2001.
3. All telecommunications carriers who are required to collect the California Teleconnect Fund Administrative Committee Fund surcharge shall collect a 0.30% surcharge effective November 1, 2001, on service rates and charges of all intrastate end users, except those that have been specifically excluded. The surcharge revenues generated by the 0.30% surcharge will provide the funds for the California Teleconnect Fund Program.
4. The combined California Public Utilities Commission Telephone Surcharge Transmittal form currently in use shall reflect the surcharge rate of 0.30%.
5. All telecommunications carriers who are required to collect the California Teleconnect Fund Administrative Committee Fund surcharge shall file revised tariff sheets by advice letters in accordance with the provisions of General Order No. 96-A on or before October 22, 2001. The advice letter shall become effective on November 1, 2001. In filing their Advice Letter Filings, to reflect the revised

October 10, 2001

adopted 0.30% surcharge for the California Teleconnect Fund Administrative Committee Fund, the telecommunications carriers are granted exemption from the noticing requirement of General Order No. 96-A, Section III, G.1.

6. The Executive Director shall serve hard copies of the conformed Resolution to all parties on the service list of Rulemaking 95-01-020 and Investigation 95-01-021 and to the carriers who have filed California Teleconnect Fund Applications.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 10, 2001. The following Commissioners approved it:

/s / WESLEY M. FRANKLIN

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President
HENRY M. DUQUE
RICHARD A. BILAS
CARL W. WOOD
GEOFFREY F. BROWN
Commissioners

APPENDIX A

CALIFORNIA TELECONNECT FUND ADMINISTRATIVE COMMITTEE FUND

ADJUSTED FISCAL YEAR (FY) 2001-2002 BUDGET

(JULY 1, 2001 - JUNE 30, 2002)

(\$5 in 1,000's)

LINE NO.	ITEMS	A	B	C	D
		(RES. T-16437)	TELECOMMUNICATIONS DIV.		COMMISSION
		ADOPTED FY 2001-2002 JUL 01 - JUN 02	PROPOSED ADJUSTED FY 2001-2002 JUL 01 - OCT 01	NOV 01 - JUN 02	ADOPTED ADJUSTED FY 2001-2002 JUL 01 - JUN 02
1	BEGINNING FUND BALANCE	9,133	9,133	131,000	140,133
	REVENUES				
2	PROJECTED BILLING BASE	15,414,000	15,181,000	15,181,000	15,181,000
3	SURCHARGE RATE	0.185%	0.185%	0.30%	-
4	SURCHARGE REVENUE (L2 X L3)	35,916	9,362	30,362	39,724
	OTHER INCOME				
5	INVESTMENT INCOME	480	0	0	0
6	INTEREST	0	1,320	0	1,320
7	PENALTY	0	0	0	0
8	TOTAL OTHER INCOME (L5+L6+L7)	480	1,320	0	1,320
9	TOTAL REVENUE (L4+L8)	26,396	10,682	30,362	41,044
	PROGRAM EXPENSE				
10	CLAIM PAYMENTS	31,900	490	30,667	31,157
11	PRIOR CLAIM PAYMENTS		200	110,000	110,200
12	INTEREST PAYMENTS	2,200	63	3,000	3,063
13	TOTAL PAYMENTS (L10 + L11+L12)	34,100	753	143,667	144,420
	AUDITS				
14	FINANCIAL AUDIT	100	10	10	20
15	COMPLIANCE AUDIT	0	0	500	500
16	REMITTANCE AUDIT	600	240	360	600
17	CLAIMS AUDIT	250	83	167	250
18	TOTAL AUDITS (L14 +L15+L16+L17))	950	333	1,037	1,370
	BANKING FEES				
19	TRUST	75	44	3	47
20	LOCKBOX		6	14	20
21	TOTAL BANKING FEES (L19+L20)	75	50	17	67
	COMMITTEE EXPENSES				
22	PER DIEM	0	0	3	3
23	TRAVEL & OTHER EXPENSES	0	0	3	3
24	TOTAL COMMITTEE EXPENSES (L22+L23)	0	0	6	6
25	TOTAL PROGRAM EXPENSES (L13+L18+L21+L24)	35,125	1,137	144,726	145,863
	ADMIN/STAFF				
26	EXTERNAL STAFF	0	0	0	0
27	SB 669 INTERNAL STAFF *	317	18	145	163
28	TOTAL ADMIN/STAFF (L26+L27)	317	18	145	163
29	SB 669 INTERAGENCY COST	0	0	0	0
30	TOTAL EXPENSES (L13+L18+L21+L24+L29+L29)	35,442	1,155	144,971	146,026
31	PROJECTED ENDING BALANCE (L1+L9-L30)	10,087	18,660	16,491	16,491

NOTES:

1. Adopted FY 2001-2002 (Column A) was adopted by the Commission in Resolution T-16437.

2. The projected billing base (Columns B, C & D, Line 2) for FY 2001-2002 is revised to \$15,181 billion based on the average reported telecommunications revenues subject to surcharges reported to the Commission by telecommunications carriers in recent months, annualized compounded by a reduction of \$411 million. The 411 million adjustment reflects the anticipated amount of "catch-up" surcredits that will be implemented by Pacific Bell and Roseville Telephone Company during FY 2001-2002 pursuant to Decision 98-11-039.

3. Proposed Adjusted FY 2001-2002 (Columns B&C) reflects the costs associated with the implementation of P.U. Code Sections 270 through 281 on October 1, 2001. As required by P.U. Code Sections 270, et al., CTF program funds must be transferred to the State Treasury on October 1, 2001. It is assumed that any surcharge rate resulting from the implementation of SB 669 will occur in November 2001.

4. Surcharge revenue (Column C, Line 4) reflects revenue for 8 months (Nov 01 - Jun 02).

5. The Beginning Fund Balance (Column C, L1) is the estimated CTF Program Fund Balance at the end of October 2001 based on the bank statement as of 7/31/01.

6. Interest amount (Column B, L6) reflects the interest earned from investing surcharge revenues.

7. Program Expenses (Column B, L10-L11,L12) are actual expenses for the months of July & August; September & October expenses are forecasted.

8. Prior claim payments (Column C, L10) are associated with claims that have not been filed for 1997, 1998, 1999, 2000 & 2001. Interest payments will be paid for CTF claims for years 1997, 1998 & 1999, per Resolution T-16330 & Resolution T-16361.

9. Trustee fees are calculated up to December 2001; lockbox fees are calculated for the FY 2001-2001.

10. It is assumed that there will be 2 Committee members who may be eligible for per diem/travel expenses.

11. SB 669 internal staff expenses include expenses associated with the addition of facilities for DMSP staff who will work on CTF Program related activities.

12. SB 669 interagency costs refer to costs associated with the transfer of CTF Program funds to the State Treasury on October 1, 2001. There is no SB 669 interagency costs for the FY 2001-2002.

13. The Commission adopted adjusted revenues & expenses from July 1, 2001 through June 30, 2002 that is the combined total of Columns B & C. The surcharge rate of 0.30% is adopted beginning Nov. 1, 2001.